

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

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MEMORANDUM

TO: Springfield Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: April 25, 2016

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY17 (since the amount under the prior schedule was maintained in FY17) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.875% to 7.65% and the adoption of a fully generational mortality assumption.

As we discussed in our April 6, 2016 letter and at the April 21, 2016 meeting, we continue to have serious concerns about the long term sustainability of the plan. Although the Board adopted an aggressive funding schedule, the unfunded actuarial liability is expected to increase until FY22. Any actuarial and/or investment losses will exacerbate this issue. We expect funding progress will be slow over the next 5 years or more even on a best case basis.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

Enc.



Springfield Retirement System January 1, 2016 Actuarial Valuation

Total Cost increasing until FY33 with final amortization payment in FY34

<u>Fiscal Year</u>	<u>Normal Cost</u>	<u>Net 3(8)(c)</u>	<u>Amort. of 2002 ERI</u>	<u>Amort. of 2003 ERI</u>	<u>Amort. of UAL</u>	<u>Total Cost</u>	<u>Unfunded Act. Liab.</u>	<u>Change in Cost</u>
2017	9,992,610	1,200,000	1,740,815	883,147	36,756,128	50,572,700	859,060,405	
2018	10,392,315	1,200,000	1,819,151	922,889	43,318,523	57,652,878	882,385,860	14.0%
2019	10,808,007	1,200,000	1,901,013	964,419	50,850,842	65,724,281	900,304,182	14.0%
2020	11,240,328	1,200,000	1,986,559	1,007,817	55,547,520	70,982,223	911,351,883	8.0%
2021	11,689,941	1,200,000	2,075,954	1,053,169	60,641,737	76,660,801	918,049,951	8.0%
2022	12,157,538	1,200,000	2,169,372	1,100,562	66,166,193	82,793,665	919,631,441	8.0%
2023	12,643,840	1,200,000	2,266,994	1,150,087	72,156,238	89,417,159	915,235,256	8.0%
2024	13,149,593	1,200,000	2,369,008	1,201,841	78,650,088	96,570,531	903,896,075	8.0%
2025	13,675,577	1,200,000	2,475,614	1,255,924	85,689,059	104,296,174	884,533,285	8.0%
2026	14,222,600	1,200,000	2,587,016	1,312,441	93,317,811	112,639,868	855,938,809	8.0%
2027	14,791,504	1,200,000	2,703,432	1,371,500	101,584,620	121,651,057	816,763,740	8.0%
2028	15,383,164	1,200,000	2,825,086	1,433,218	110,541,673	131,383,142	765,503,657	8.0%
2029	15,998,491	1,200,000			124,695,302	141,893,793	700,482,512	8.0%
2030	16,638,431	1,200,000			135,406,866	153,245,296	619,834,931	8.0%
2031	17,303,968	1,200,000			147,000,952	165,504,920	521,486,813	8.0%
2032	17,996,127	1,200,000			159,549,187	178,745,314	403,134,029	8.0%
2033	18,715,972	1,200,000			173,128,967	193,044,939	262,219,082	8.0%
2034	19,464,611	1,200,000			95,905,509	116,570,119	95,905,509	-39.6%
2035	20,243,195	1,200,000				21,443,195	0	-81.6%

Appropriation payments assumed to be made on July 1 of each fiscal year
Normal cost assumed to increase 4% per year
Assumed expenses of \$975,000
FY17 amount maintained at level of current funding schedule